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ACED
Agricultural Competitiveness and
Enterprise Development Project



SUPPLEMENTAL ANNUAL REPORT - FY 2011

**AGRICULTURAL COMPETITIVENESS AND ENTERPRISE DEVELOPMENT
PROJECT (ACED)**

OCTOBER 2011

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Program Title:	AGRICULTURAL COMPETITIVENESS AND ENTERPRISE DEVELOPMENT (ACED)
Sponsoring USAID Office:	USAID/Ukraine Regional Contract Office
Contract Number:	AID-117-C-11-00001
Contractor:	DAI
Date of Publication:	October 2011
Author:	DAI/ACED/Gary D. Kilmer

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Introduction:

The ACED contract between USAID and Development Alternatives, Inc. (DAI) was signed on March 23rd, 2011. In-country implementation activities were launched on April 5, 2011 with the arrival of the COP. The first three months (April – June 2011) were filled primarily with start-up activities including local recruitment, procurement and initial Work Plan, PME and PERSUAP development. During the second three months (July – September 2011) the focus shifted to more technical survey work and initial training activities. By the end of the fiscal year the project team was up to date with project deliverables, had completed a number of initial technical surveys (required by the contract) and was making the shift to full program implementation mode. Solid partnerships with local BSPs, producer associations and government agencies had been developed and the preparation of detailed value chain studies and action plans was nearing completion. Component 1 – Growing HVA Sales – was ready for active implementation. Component 2 – Enterprise Development in Transnistria – remained stalled at the end of the fiscal year as the project team waited for USAID to give clearance to travel to the region and launch the program. We were able to consult with a number of organizations that do work in Transnistria and get a better understanding of how ACED might work there when we do get the chance, but we still had not crossed the Nistru River as the fiscal year ended.

The logic of Component 1 of the ACED project is spelled out quite clearly in the ACED contract (Statement of Work). The project will “increase incomes and generate jobs in rural Moldova by addressing the most critical impediments to the development of a competitive High Value Agriculture (HVA) sector, including the development of related non-agribusiness enterprises in the value chain.” (pg. 7) The overall objective of this component is to “provide market development support and technical assistance and training to help producers and agribusinesses best take advantage of Moldova’s potential for comparative advantage in HVA production and to overcome the fundamental constraints and obstacles they face in meeting buyer requirements and attracting private sector investment.” (pg. 10).

The overall objective of Component 2 – Enterprise Development in Transnistria – is to support the development and enhance the competitiveness of the Transnistrian private micro-, small and medium enterprise in both the HVA and non-HVA value chains by providing technical assistance to enterprises and business support providers in the region.

Accomplishments

The most important accomplishments, all related primarily to the implementation of Component 1, during the start-up phase of the project were the completion of ten surveys and assessment that were either required by the contract, necessary to serve as the foundation for program activities, or both. Five more were nearing completion as the FY ended. These accomplishments are grouped below according to the project activity set to which they are most closely related, plus cross cutting activities and concerns.

Activity 1 -- Develop and Expand Opportunities for Moldovan HVA

Deliverables and Reports

- **End Market Study for Fresh and Dried Fruits in Romania**
- **End Market Study for Fresh and Dried Fruits in Russia**
- **End Market Study for Fresh Fruits and Vegetables in Moldova (being finalized)**

The completion of these three contract deliverables was preceded by a Rapid Supply Capacity Assessment of the Moldovan HVA producers and post-harvest processing, consolidation and marketing operators. The objective of the End Market Studies is to assess the potential for developing (or increasing) the sale of Moldovan HVA products in target markets and detailing the requirements (both legal and commercial) that must be overcome to do so. These studies, which included both desk research and interviews with important market participants, serve as the bases of the Value Chain Studies and Action Plans which are nearing completion as this is written. The latter documents, also now nearing completion, identify major constraints that must be overcome by value chain participants to satisfy buyers in target markets and lay out the basic strategies the ACED team will follow in working with the three initially targeted value chains (apples, table grapes and tomatoes). We expect additional end market studies to be carried out in German and the Baltic states in FY 2012.

Activity 2 – Training to Upgrade Production and Ability to Meet Buyer Requirements

Deliverables and Reports

- **Status Assessment and Strategy for Developing Greenhouse Facilities**

The Greenhouse Assessment was carried out by an international expert, supported by a local service provider, to advise the team on what changes in greenhouse construction and management practices might be introduced to increase the profitability of (especially) small-scale greenhouse operations by extending the production season on both ends, increasing yields improving the quality of produce. This report, along with the End Market Surveys and

Value Chain Studies and Action Plans discussed above and round table discussions with value chain participants will serve as the basis for training and demonstration plans to be drawn up in November.

Day-long training programs were presented to 313 high value agriculture producers in eight different areas during the first six months of the project covering topics requested by farmers during the round table discussions that were a part of the ACED Launch Event in June. The training sessions involved a combination of technical “classroom” training, led by local experts and input supply representatives, and field visits. The purpose of these early programs was to test the training model to be used and demonstrate to farmers that we are going to be active in responding to their requests.

Special attention is being paid to the training needs of small-scale farmers located within the Central Irrigation Systems (CIS) being rehabilitated with MCC assistance. Dedicated community level development plans are being prepared based on those communities’ current agriculture activity, land distribution factors, current access to water for irrigation and projections as to when their rehabilitated irrigation schemes will come on line. In addition to this work, ACED contracted with a Moldovan service provider to prepare brief profiles of 16 different communities (inside and outside of the CIS zones) with significant HVA activity to help us understand how agriculture is being done in those communities along with issues such as land ownership distribution, the state of cooperative ventures, the existence of lead marketers or processors and other factors that will affect our design of program activities for them.

Training and demonstration plans have been somewhat delayed by the prolonged discussion of MCC’s impact evaluation plan and the need to randomly select a number of likely training sites to serve as a control group. The selection of 32 “control sites” was made from a group of 88 likely training sites put forward by ACED. The exclusion of these communities, some of which are located inside the CIS areas adds significantly to the challenge of meeting ACED’s goals in terms of participant training.

Activity 3 – Demand Driven Technical Assistance to Upgrade the HVA Value Chain

Deliverables and Reports

- **Technical Input for Improved Cold Store Operations in the Republic of Moldova**

The development of post-harvest value chain infrastructure is a key element of the ACED project design. Its importance has been underscored by the end market research that has been carried out and discussions with buyers as well. This study was carried out by a team of international experts working closely with ACED staff and a local service provider to gain an international perspective on the current status of post-harvest infrastructure

investments (especially cold storage) that have been multiplying rapidly over the past two years and help us to advise value chain participants on appropriate technologies and management practices going forward. In addition to the above technology assessment, local service providers were contracted to assess the demand/need for shared cold storage and pack house facilities for stone fruits in the South of the Moldova.

The ACED team also began working on the design of the Value Chain Support Center that will be a major part of the program linking value chain participants with appropriate service providers. A first practical step, linked to the MCA's Access to Agriculture Finance activity, was the prequalification of 12 service providers to work with potential borrowers on the preparation of necessary business plans. ACED will also provide technical support and mentoring to these service providers and share the cost of selected assignments to demonstrate the value of these professional services.

Activity 4 – Improving the Enabling Environment for HVA

Deliverables and Reports

- **A Brief Assessment of the Regulatory Framework for the High Value Agriculture Sector in Moldova**
- **Phytosanitary Inspection and Certification – Meeting the Requirements of ISPM 7, 20 and 23 Phase 1**
- **Phytosanitary Laboratory, Inspector and Border Station Equipment Specification Development**

The above reports were the result of research carried out to underpin ACED's work in both aspects of its work on the enabling environment. First to look at the current situation to identify areas in which the project can help address clear regulatory issues affecting HVA development through policy/regulatory analysis and assistance. The second two reports are the first steps in helping to strengthen the capacity of the Government of Moldova to conform to international phytosanitary inspection and testing standards.

Three concrete steps have already been taken in the development of these activities.

- We have reached an agreement with the Central Phytosanitary Laboratory and the Minister of Agriculture and Food Industry on the set of equipment to be provided to the laboratory, phytosanitary inspectors and border inspection stations by USAID. Procurement is now underway for equipment with a total value of approximately \$800,000.
- ACED has contracted with a local service provider to prepare an Investor Roadmap for international and local investors in high value agriculture.

- Another local service provider has been contracted to prepare training material for government personnel on Regulatory Impact Assessment related to agriculture policies.

Cross Cutting Activities

Gender Equity

- **Assessing Gender Differences and Implications for Growing Moldovan High Value Agriculture**

The gender assessment report was the result of a very thorough survey of the role of women in all aspects of agriculture and agribusiness in Moldova. It was carried out by an international expert supported by ACED staff and a local service provider contracted by the project. The result of this exercise was the preparation of a series of practical recommendations that have since been incorporated into ACED's gender action plan. We have outlined a set of specific actions that will be taken to insure that women have an equal opportunity to participate in all activities alongside their male colleagues as well as a set of activities and initiatives specially aimed at involving women farmers and agribusiness operators.

Environmental Compliance

- **Environmental Mitigation and Monitoring Plan (EMMP)**
- **PERSUAP (Pesticide Evaluation Report and Safe Use Action Plan)**
- **Assisted Enterprise Clean Production and Pollution Prevention (CP/P2) Assessment and Environmental Due Diligence for Processing Enterprises**

These documents are necessary parts of ACED's environmental protection program, to insure that we are operating in full compliance with USAID and Moldovan regulations and that assisted enterprises receive appropriate advice that will maximize both their legal compliance and their bottom line. They will provide guidance for the design of training activities and ensure that the environmental impact of all technical activities is appropriately assessed.

Business Service Provider Capacity Development

One of the commitments of ACED is to make maximum use of local service providers in implementing its program. To date, eight sub-contracts, with a total value of \$84,321, were signed with seven business service providers during the July-September quarter. Contracted services included carrying out desk research, supporting STTA research teams and end market studies, preparation of an investor roadmap and development of a training program for regulatory impact assessment. In addition to this, 12 providers of business planning services have been pre-qualified to assist HVA clients seeking to access funds provided

through the commercial banking system by MCA for the development of post-harvest HVA facilities. A first workshop has been held to explain the finance program and ACED's assistance to pre-qualified service providers. Other training activities are being designed in consultation with the service provider community.

In addition to providing contracting opportunities for local service providers, ACED is working closely with them as they carry out their assignments to insure successful results and identify areas in which additional training opportunities would be used well.

Consultative Process

This first half-year of ACED implementation was full of consultations with a very wide array of government agencies, other donors, value chain participants and others as the team came up to speed on a wide variety of issues of importance to the achievement of project objectives. Of most significance here are the extensive consultations with USAID, MCC and the Government of Moldova.

The ACED team has enjoyed a very positive relationship with USAID/Moldova from the very beginning and felt a true sense of partnership as we worked together to get through the administrative necessities quickly so that the substantive work of the project could get underway. Communications have been open and clear with a strong sense of mutual appreciation and respect. We have been successful in meeting administrative and deliverable deadlines, which has been possible because the mission has provided clear guidance where necessary and a fast response to our requests for various types of approval.

Consultations with MCC (and MCA) have also been very intense, mostly centered around the design of the impact evaluation that MCC has committed to carry out using a methodology that requires the randomized exclusion of a large number of HVA communities from participation in the project as training sites so that they can serve as a "control group" for the impact evaluation process. We have worked with MCC to find ways to minimize the negative impact these exclusions will have on overall program impact without undermining the evaluation process itself.

ACED has also engaged in extensive consultations with the Ministry of Agriculture and Food Industry (MAFI) on a range of subjects including meetings with the Minister and Deputy Minister on the status of the project and near term planning. The most contact has been between ACED and management of the Central Phytosanitary Laboratory in determining the types of assistance that will be most beneficial in enhancing the phytosanitary inspection, testing and certification capabilities of the Central Phytosanitary Laboratory and related testing centers – especially in finalizing a list of equipment to be provided to phytosanitary inspectors, border inspection stations and the central laboratory itself.

Donor Coordination

The coordination of ACED program elements with those of other donors is clearly important if maximum development impact is to be achieved. With this objective in mind, ACED has initiated contact with several other international programs for the purpose of ensuring that our programs are complementary with what is already going on in the field of Moldovan agriculture. The most productive contacts have been made with MCA, the World Bank, IFAD and CBI, the Dutch government's Center for the Development of Imports from Developing Countries.

Active cooperation with MCA (Government of Moldova implementers of the MCC Compact Program) includes the sharing of program information and reports as well as active support of its new Access to Agriculture Finance activity. Discussions with the World Bank have centered around the final year of its rural finance program and the design of its upcoming Agriculture Competitiveness Project, which is projected to include many of the same elements as ACED. A first meeting with the appraisal team for the new project gives reason for optimism that we will be able to avoid unproductive duplication of competition. In other areas, not yet determined with certainty, it should be possible to achieve complementarity around the same issue. For example, where ACED is focusing on development of phytosanitary testing capacity, it is likely that the World Bank will focus on developing better chemical residue testing, which is also necessary. Those discussions will continue.

The new IFAD-sponsored rural finance program provides another resource to which ACED can direct farmers and agribusinesses for needed credits and other assistance. The MCA, World Bank and IFAD programs all have somewhat different terms and objectives that, together, provide a fairly comprehensive set of credit resources to which we can help value chain participants gain access.

CBI is committed to helping Moldovan table grape and apple producers enter the EU market through the provision of marketing training and mentoring. At least partially as a result of our discussions they have decided to defer the intensive part of the program for at least the next year but will be available to support ACED work in this area by providing technical experts that we might find a need for, co-sponsoring trade show participation and jointly planning certain training activities.

Discussions with the Peace Corps, and a presentation to new volunteers by the ACED COP, have identified communities in which ACED can work directly to support volunteers engaged in high value agriculture projects and be able to call on those volunteers for support in those communities when necessary. Three contacts of this type have already been made and are being developed.

Lessons Learned

The main activity of the ACED team over the first half year of the project has been to learn – and learn actively – through the series of surveys and assessments referred to earlier. The lessons learned throughout this process have been instrumental in helping us to fine tune the program we will be implementing for the next 4.5 years.

GDKilmer

10/31/2011